



## **KOS International Holdings Limited**

### **高奧士國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8042)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018, together with the audited comparative figures for the year ended 31 December 2017 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

|   | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Revenue   | 4            | <b>66,291</b>                  | 65,426                  |
| Other income  |              | <b>114</b>                     | 587                     |
| Staff costs   |              | <b>(47,714)</b>                | (37,871)                |
| Other expenses and losses   |              | <b>(8,369)</b>                 | (4,351)                 |
| Finance costs   |              | <b>(663)</b>                   | (16)                    |
| Listing expenses  |              | <b>(12,987)</b>                | (3,766)                 |
| (Loss) profit before taxation                                       | 5            | <b>(3,328)</b>                 | 20,009                  |
| Income tax expense  | 6            | <b>(1,576)</b>                 | (3,864)                 |
| (Loss) profit and total comprehensive (expense) income for the year |              | <b>(4,904)</b>                 | 16,145                  |
| (Loss) earnings per share — basic (Hong Kong cents)                 | 8            | <b>(0.76)</b>                  | 2.69                    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

|                                       | <i>Note</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br><i>HK\$'000</i> |
|---------------------------------------|-------------|--------------------------------|-------------------------|
| Non-current assets                    |             |                                |                         |
| Property, plant and equipment         |             | <b>4,311</b>                   | 359                     |
| Rental deposits                       |             | <b>766</b>                     | —                       |
| Pledged bank deposit                  |             | <b>—</b>                       | 5,000                   |
|                                       |             | <b>5,077</b>                   | 5,359                   |
| Current assets                        |             |                                |                         |
| Accounts and other receivables        | 9           | <b>12,484</b>                  | 13,344                  |
| Tax recoverable                       |             | <b>2,955</b>                   | —                       |
| Pledged bank deposit                  |             | <b>5,000</b>                   | —                       |
| Bank balances and cash                |             | <b>27,800</b>                  | 20,679                  |
|                                       |             | <b>48,239</b>                  | 34,023                  |
| Current liabilities                   |             |                                |                         |
| Other payables and accruals           |             | <b>6,017</b>                   | 3,185                   |
| Bank borrowing                        |             | <b>7,500</b>                   | 10,000                  |
| Taxation payable                      |             | <b>400</b>                     | 2,259                   |
|                                       |             | <b>13,917</b>                  | 15,444                  |
| Net current assets                    |             | <b>34,322</b>                  | 18,579                  |
| Total assets less current liabilities |             | <b>39,399</b>                  | 23,938                  |
| Capital and reserves                  |             |                                |                         |
| Share capital                         |             | <b>8,000</b>                   | 49                      |
| Reserves                              |             | <b>31,399</b>                  | 23,889                  |
| Total equity                          |             | <b>39,399</b>                  | 23,938                  |

Notes:

## 1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on GEM of the Stock Exchange since 12 October 2018 (the “**Listing**”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Suite 610, 6th Floor, Ocean Centre, No. 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company’s immediate and ultimate holding companies are KJE Limited (“**KJE**”) and Caiden Holdings Limited (“**Caiden**”), companies incorporated in the British Virgin Islands (“**BVI**”) which Mr. Chan Ka Kin Kevin (“**Mr. Kevin Chan**”), Mr. Chan Ka On Eddie (“**Mr. Eddie Chan**”), Mr. Chan Ka Shing Jackson (“**Mr. Jackson Chan**”) and Mr. Chow Ka Wai Raymond (“**Mr. Raymond Chow**”) are the ultimate controlling parties.

The Company is an investment holding company and its subsidiaries are principally engaged in providing recruitment services and secondment and payroll services in Hong Kong and Macau.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

## 2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared on the historical cost basis in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” also issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

In the application of the Group’s accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Prior to a group reorganisation (the “**Reorganisation**”), KOS International Limited, incorporated in Hong Kong (“**KOS International**”), and KOS International Limited, incorporated in Macau (“**KOS Macau**”) and KOS Staffing Limited (“**KOS Staffing**”) were jointly controlled by Mr. Kevin Chan, Mr. Eddie Chan, Mr. Jackson Chan and Mr. Raymond Chow (collectively referred to as the “**Controlling Shareholders**”). The Controlling Shareholders have been controlling KOS International, KOS Macau and KOS Staffing on a collective basis on decision making process over, including but not limited to, financial, management and operational matters of KOS International, KOS Macau and KOS Staffing and they have always been acting in concert. To rationalise the structure of the Group in the preparation

for the Listing, the companies now comprising the Group underwent a series of reorganisation which involved the following steps:

- (a) On 19 December 2017, the Company was incorporated in the Cayman Islands with limited liability. Upon its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares, of which one subscriber share was allotted and issued to an independent third party and such one share was subsequently transferred to KJE on the date of incorporation of the Company. On the same date, the Company allotted 74 shares and 25 shares to KJE and Caiden respectively.
- (b) On 27 December 2017, KOS International (BVI) Limited (“**KOS International (BVI)**”) was incorporated in the BVI. At the same date of its incorporation, 1 share was allotted to the Company at US\$1. Accordingly, KOS International (BVI) became a wholly-owned subsidiary of the Company.
- (c) On 27 December 2017, KOS Macau (BVI) Limited (“**KOS Macau (BVI)**”) was incorporated in the BVI. At the same date of its incorporation, 1 share was allotted to the Company at US\$1. Accordingly, KOS Macau (BVI) became a wholly-owned subsidiary of the Company.
- (d) On 13 June 2018, the Controlling Shareholders transferred all of their respective shareholding in KOS International to KOS International (BVI). The consideration of the acquisition was satisfied by the allotment and issue of and credited as fully paid a total of (i) 7,500 shares of the Company to KJE for the acquisition from Mr. Kevin Chan; (ii) 7,500 shares of the Company to KJE for the acquisition from Mr. Eddie Chan; (iii) 7,500 shares of the Company to KJE for the acquisition from Mr. Jackson Chan; and (iv) 7,500 shares of the Company to Caiden for the acquisition from Mr. Raymond Chow. Accordingly, KOS International became a wholly-owned subsidiary of KOS International (BVI).
- (e) On 13 June 2018, the Controlling Shareholders transferred all of their respective shareholding in KOS Staffing to KOS International (BVI). The consideration of the acquisition was satisfied by the allotment and issue of and credited as fully paid a total of (i) 2,475 shares of the Company to KJE for the acquisition from Mr. Kevin Chan; (ii) 2,475 shares of the Company to KJE for the acquisition from Mr. Eddie Chan; (iii) 2,475 shares of the Company to KJE for the acquisition from Mr. Jackson Chan; and (iv) 2,475 shares of the Company to Caiden for the acquisition from Mr. Raymond Chow. Accordingly, KOS Staffing became a wholly-owned subsidiary of KOS International (BVI).
- (f) On 15 June 2018, the Controlling Shareholders transferred all of their respective shareholding in KOS Macau to KOS Macau (BVI). The consideration of the acquisition was satisfied by the allotment and issue of and credited as fully paid a total of (i) 2,500 shares of the Company to KJE for the acquisition from Mr. Kevin Chan; (ii) 2,500 shares of the Company to KJE for the acquisition from Mr. Eddie Chan; (iii) 2,500 shares of the Company to KJE for the acquisition from Mr. Jackson Chan; and (iv) 2,500 shares of the Company to Caiden for the acquisition from Mr. Raymond Chow. Accordingly, KOS Macau became a wholly-owned subsidiary of KOS Macau (BVI).

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 15 June 2018. Its immediate holding companies are KJE and Caiden. The Group, comprising the Company, KOS International, KOS Macau and KOS Staffing resulting from the Reorganisation has always been under the common control of the Controlling Shareholders throughout the year or since their respective dates of incorporation, where there is a shorter period, regardless of the actual dates when they formally and legally became subsidiaries of the Company. As a result, the Group resulting from the Reorganisation is regarded as a continuing entity. Therefore, the Reorganisation is considered as a business combination under common control and accounted for under merger accounting as mentioned below.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2018 and 2017 include the performance, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the years ended 31 December 2018 and 2017, or since their dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

### **3. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS**

The Group has consistently applied all HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on or after 1 January 2018 for the years presented except that the Group has applied HKFRS 9 "Financial Instruments" for the first time in the current year.

#### **HKFRS 9 "Financial Instruments" and the related amendments**

During the year ended 31 December 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

#### ***Classification and measurement of financial assets***

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

### *Impairment of financial assets*

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

#### *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

|   | <b>Amortised cost<br/>(previously<br/>classified as<br/>loans and<br/>receivables)<br/>HK\$'000</b> | <b>Retained<br/>profits<br/>HK\$'000</b> |
|---|---|--|
| Closing balance at 31 December 2017 – HKAS 39       | 36,958  | 23,889                                   |
| Effect arising from initial application of HKFRS 9: |   |  |
| Remeasurement — impairment under ECL model          | <u>(292)</u>  | <u>(292)</u>                             |
| Opening balance at 1 January 2018                   | <u><u>36,666</u></u>  | <u><u>23,597</u></u>                     |

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivables. To measure the ECL, accounts receivables have been assessed individually.

Loss allowances for other financial assets at amortised cost mainly comprise of pledged bank deposits and bank balances, are measured on 12-month ECL (“**12m ECL**”) basis as there had been no significant increase in credit risk since initial recognition. For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. The ECL is not material. Accordingly, no loss allowance has been recognised for other financial assets as at 1 January 2018.

As at 1 January 2018, the additional credit loss allowance of HK\$292,000 has been recognised against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including accounts receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

|   | <b>Accounts<br/>receivables</b><br><i>HK\$'000</i> |
|---|--|
| At 31 December 2017 — HKAS 39                       | —  |
| Amounts remeasured through opening retained profits | 292  |
|   | <hr/>  |
| At 1 January 2018                                   | 292  |
|   | <hr/> <hr/>  |

The Group has not early applied the new and amendments to HKFRSs and interpretations that have been issued but are not yet effective.

Except for the new HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

#### **HKFRS 16 “Leases”**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to the lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$6,918,000. These arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.



In addition, the Group currently considers refundable rental deposits paid of HK\$766,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payment and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating the comparative information.

#### 4. REVENUE AND SEGMENT INFORMATION

|                                 | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---------------------------------|--------------------------------|-------------------------|
| Recruitment services            |                                |                         |
| — Hong Kong                     | <u>36,001</u>                  | <u>35,411</u>           |
| Secondment and payroll services |                                |                         |
| — Hong Kong                     | <u>26,951</u>                  | 25,858                  |
| — Macau                         | <u>3,339</u>                   | <u>4,157</u>            |
|                                 | <u>30,290</u>                  | <u>30,015</u>           |
| Total                           | <u><u>66,291</u></u>           | <u><u>65,426</u></u>    |

The Group’s operating segment is determined based on information reported to the chief operating decision maker of the Group (the Directors) for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on their services, and only has one operating segment, human resource services operation. The chief operating decision maker reviews the revenue and results of the Group as a whole without further discrete financial information.

Accordingly, no analysis of this single operating and reportable segment is presented.

The majority of Group’s revenue is generated from Hong Kong, and majority of non-current assets are located in Hong Kong.

## Information about major customers

|            | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Customer A | 26,610                  | 25,786                  |
| Customer B | 9,492                   | 8,717                   |

## 5. (LOSS) PROFIT BEFORE TAXATION

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| (Loss) profit before taxation has been arrived at after charging (crediting): |                         |                         |
| Directors' remuneration   | 438                     | —                       |
| Salaries and allowance for staff excluding directors                          | 45,920                  | 36,671                  |
| Retirement benefit schemes contributions for staffs excluding directors       | 1,356                   | 1,200                   |
| Total staff costs   | 47,714                  | 37,871                  |
| Minimum lease payment in respect of rental premises                           | 1,638                   | 1,166                   |
| Depreciation of property, plant and equipment                                 | 398                     | 205                     |
| Auditor's remuneration  | 900                     | 200                     |
| Interest income from bank deposits  | (79)                    | (2)                     |

## 6. INCOME TAX EXPENSE

|                                | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Hong Kong Profits tax          |                         |                         |
| — current tax                  | 1,609                   | 3,865                   |
| — overprovision in prior years | (33)                    | (1)                     |
|                                | 1,576                   | 3,864                   |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not

qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million.

For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at a single flat rate of 16.5% of the estimated assessable profits.

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding Macao Pataca (“MOP”) 600,000 for each of the years ended 31 December 2018 and 2017.

## 7. DIVIDENDS

During the year ended 31 December 2018, KOS International paid dividends for the amount of HK\$5,081,000 (2017: HK\$1,206,000) to its shareholders and the Company paid special dividends for the amounts of HK\$18,000,000 and HK\$4,000,000 (2017: nil) to its then shareholders on 12 September 2018 and 21 September 2018, respectively.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

|   | <b>2018</b>               | 2017                      |
|---|---------------------------|---------------------------|
|   | <b>HK\$'000</b>           | HK\$'000                  |
| (Loss) profit for the year  | <u><u>(4,904)</u></u>     | <u><u>16,145</u></u>      |
| Number of shares:   |                           |                           |
| Weighted average number of ordinary shares for the purpose of the basic (loss) earnings per share | <u><u>644,383,562</u></u> | <u><u>600,000,000</u></u> |

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the capitalisation issue in respect of the Listing had been effective on 1 January 2017.

Diluted (loss) earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2018 and 2017.

## 9. ACCOUNTS AND OTHER RECEIVABLES

|  | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Accounts receivables   | <b>11,053</b>                  | 11,279                  |
| <i>Less:</i> Allowance for doubtful debts                                | <b>(227)</b>                   | —                       |
|  | <b>10,826</b>                  | 11,279                  |
| Other receivables  |                                |                         |
| — Prepayments  | <b>1,180</b>                   | 475                     |
| — Rental and utility deposits  | <b>1,244</b>                   | 342                     |
| — Deferred share issue costs   | —                              | 1,209                   |
| — Prepayments for listing expenses                                       | —                              | 39                      |
| Total accounts and other receivables                                     | <b>13,250</b>                  | 13,344                  |
| <i>Less:</i> Receivables within twelve months shown under current assets | <b>(12,484)</b>                | (13,344)                |
| Rental deposit shown under non-current assets                            | <b>766</b>                     | —                       |

Generally, the Group allows a credit period of not more than 60 days to its customers.

The following is an ageing analysis of accounts receivables presented based on the revenue recognition date at the end of the reporting period.

|                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Within 30 days | <b>4,258</b>                   | 7,236                   |
| 31 to 60 days  | <b>1,026</b>                   | 594                     |
| 61 to 90 days  | <b>666</b>                     | 2,183                   |
| 91 to 180 days | <b>3,499</b>                   | 1,028                   |
| Over 180 days  | <b>1,377</b>                   | 238                     |
|                | <b>10,826</b>                  | 11,279                  |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### Business review

We are a reputable Hong Kong-based human resources services provider principally engaged in high quality recruitment services and secondment and payroll services since 2009.

Under our recruitment services, we identify, screen, assess and procure qualified candidates to be employed by our clients generally for positions at all levels, including administrative, executive, managerial and professional. For our secondment and payroll services, we employ suitable candidates that are either sourced by our Group or our clients themselves and second them to our clients. We also assist in providing payroll and other administration services at our clients' requests.

The Group's competitive strengths include (i) we are a reputable human resources services provider in Hong Kong delivering high quality services; (ii) we have well-established business relationships with our clients from diversified industries; (iii) possession of a sizeable pool of candidates registered within our candidate database; and (iv) stable and experienced management team.

The Group's revenue increased by approximately HK\$865,000 from approximately HK\$65,426,000 for the year ended 31 December 2017 to approximately HK\$66,291,000 for the year ended 31 December 2018. The increase was mainly attributable to the increase in revenue from recruitment and secondment and payroll services.

During the year ended 31 December 2018, the Group incurred significant listing expenses, staff costs and other expenses and losses for building our Group's reputation and expanding our office to recruit more recruiter for our recruitment service. As a result, the Group recorded a loss and total comprehensive expense of approximately HK\$4,904,000 for the year ended 31 December 2018 as compared to a profit and total comprehensive income of approximately HK\$16,145,000 for the year ended 31 December 2017.

Though we expect that the coming year should continue to be challenging because of the Sino-US trade war, the Group remains distinctive and alert about the changes of the human resources services industry in Hong Kong, and with the Group's experienced management team and reputation in the market, the Group will continue to sustain our market position and strengthen our competitive edges.

In order to mitigate the potential business risks, the management team will mainly focus on (i) diversifying our lines of services; (ii) expanding our clients base to widen our revenue stream; and (iii) upgrading our software, computer and network systems to ensure top quality performance.

The Group expects to retain a substantial amount of market share and continues to capture market opportunities so as to achieve sustainable business growth.

## Prospect

Looking forward, we will ride on the strong clients base and brand awareness in Hong Kong and expand our services to the region. Following are the key development areas:

- a. hire experienced recruiters from the industry and expand our services to outside Greater China region;
- b. set up our China operation by 31 December 2019 and put a strong focus on clients in the Greater Bay area; and
- c. for recruitment services in Hong Kong, we will further expand into following areas:
  - corporate services functions, mainly, Human Resources, IT, Legal and Finance and Accounting;
  - build a team to focus on recruitment of front, mid and back office roles for Financial Services sector targeting local and Asian based FS clients; and
  - streamlining our secondment and payroll services under a newly created KOS Staffing brand and marketing efforts will be put in to raise brand awareness in both Hong Kong and Macau markets.

The Group believes our following distinctive competitive strengths will facilitate the expansion of its market share in the region:

- (i) solid track record of providing recruitment and staffing services to clients in Hong Kong;
- (ii) vast pool of candidates registered within our database which has been built up since 2009;
- (iii) long-term and stable relationship with our major clients, key account approach and strong emphasis on repeat businesses;
- (iv) strong focus on investment and maintenance of the IT system in supporting business operation; and
- (v) stable and experienced management team.

Moving ahead, the Group will adhere to our competitive strengths to further grow our business. We shall also strive to keep up the delivery of our quality services with a commitment to enhance our business performance and to bring better return to our shareholders.

## FINANCIAL REVIEW

### Revenue

Our revenue was derived from the provision of recruitment services and secondment and payroll services.

The Group's revenue amounted to approximately HK\$66,291,000 for the year ended 31 December 2018, increased slightly of approximately HK\$865,000 or 1.3% as compared with approximately HK\$65,426,000 for the year ended 31 December 2017.

Set forth below is a breakdown of the total revenue during the years ended 31 December 2018 and 2017:

|                                 | For the year ended 31 December |                     |                      |                     |
|---------------------------------|--------------------------------|---------------------|----------------------|---------------------|
|                                 | 2018                           |                     | 2017                 |                     |
|                                 | <i>HK\$'000</i>                | <i>% of revenue</i> | <i>HK\$'000</i>      | <i>% of revenue</i> |
| Recruitment services            |                                |                     |                      |                     |
| — Hong Kong                     | <u>36,001</u>                  | <u>54.3</u>         | <u>35,411</u>        | <u>54.1</u>         |
| Secondment and payroll services |                                |                     |                      |                     |
| — Hong Kong                     | <u>26,951</u>                  | <u>40.7</u>         | <u>25,858</u>        | <u>39.5</u>         |
| — Macau                         | <u>3,339</u>                   | <u>5.0</u>          | <u>4,157</u>         | <u>6.4</u>          |
|                                 | <u>30,290</u>                  | <u>45.7</u>         | <u>30,015</u>        | <u>45.9</u>         |
| Total revenue                   | <u><u>66,291</u></u>           | <u><u>100.0</u></u> | <u><u>65,426</u></u> | <u><u>100.0</u></u> |

#### (i) Revenue from recruitment services

We provide recruitment services primarily in Hong Kong. Revenue from recruitment services amounted to approximately HK\$36,001,000 for the year ended 31 December 2018 and approximately HK\$35,411,000 for the year ended 31 December 2017, representing approximately 54.3% and 54.1% of the total revenue, respectively.

Although the Group as a whole recorded an increased revenue from recruitment services, it had experienced a significant decrease in recruitment revenue during the fourth quarter of 2018 when the Group's recruitment business was overshadowed by the global economic turmoil which affected our clients' willingness and timetable of their recruitment process, thus, the recruitment market was slower than expected and hence the revenue from the Group's recruitment business decreased in the relevant period.

**(ii) Revenue from secondment and payroll services**

We provide secondment and payroll services in Hong Kong and Macau. Revenue from secondment and payroll services amounted to approximately HK\$30,290,000 for the year ended 31 December 2018 and approximately HK\$30,015,000 for the year ended 31 December 2017, representing approximately 45.7% and 45.9% of the total revenue, respectively.

**(iii) Revenue by geographical location**

During the year ended 31 December 2018 and 2017, Hong Kong remained as our major market, which contributed approximately 95.0% and 93.6% of the total revenue, respectively. The revenue generated from Hong Kong increased from approximately HK\$61,269,000 for the year ended 31 December 2017 to approximately HK\$62,952,000 for the year ended 31 December 2018, was primarily due to an increase in revenue derived from both the recruitment services and secondment and payroll services. The scale of our secondment and payroll services business in Macau was still relatively small.

**Staff costs**

Staff costs comprise (i) the labour cost associated with deployment of seconded staff for the secondment and payroll services and (ii) the salaries and other staff benefits the Group paid to its internal staff for carrying on and in support of its business operation. Seconded staff costs represent the major component of the staff costs. The majority of the internal staff costs are the salaries and other staff benefits relating to the consultants for carrying on the recruitment services.

For the year ended 31 December 2018, the staff costs were approximately HK\$47,714,000 (2017: approximately HK\$37,871,000), which accounted for approximately 72.0% (2017: approximately 57.9%) of the revenue. Seconded staff costs for the year ended 31 December 2018 was approximately HK\$27,724,000 (2017: approximately HK\$27,680,000), representing approximately 58.1% of the total staff costs (2017: approximately 73.1%). The internal staff costs amounted to approximately HK\$19,990,000 for the year ended 31 December 2018 (2017: approximately HK\$10,191,000), representing approximately 41.9% of the total staff costs (2017: approximately 26.9%).

The staff costs increased by approximately HK\$9,843,000 or 26.0%. Such increase was mainly due to the increase in the internal staff costs by approximately HK\$9,799,000 as a result of the increased number of the internal staff.



## **Other expenses and losses**

Other expenses and losses increased by approximately HK\$4,018,000 or 92.3% from approximately HK\$4,351,000 for the year ended 31 December 2017 to approximately HK\$8,369,000 for the year ended 31 December 2018, which was primarily due to the increase in administrative expenses with the listing status attributed by the increased audit fees and professional fees and increased insurance expenses; and additional rent and rates incurred in relation to the expansion of the office of the Company in Hong Kong.

## **Finance costs**

Finance costs represented the interest on a bank loan obtained in December 2017, which amounted to approximately HK\$663,000 and approximately HK\$16,000 for the year ended 31 December 2018 and 2017 respectively.

## **Listing expenses**

During the years ended 31 December 2018 and 2017, the Group recognised non-recurring listing expenses of approximately HK\$12,987,000 and HK\$3,766,000, respectively in profit or loss in connection with the Listing.

## **Income tax expense**

Income tax expense decreased by approximately HK\$2,288,000 or 59.2%, from approximately HK\$3,864,000 for the year ended 31 December 2017 to approximately HK\$1,576,000 for the year ended 31 December 2018. The decrease was primarily attributable to the decrease in profit before taxation (excluding the effect of non-recurring listing expenses) and the adoption of the Two-tiered Profits Tax Rates Regime during the year ended 31 December 2018.

## **(Loss)profit and total comprehensive (expense) income for the year**

Loss for the year ended 31 December 2018 and profit for the year ended 31 December 2017 amounted to approximately HK\$4,904,000 and HK\$16,145,000 respectively. Such reversal was mainly attributable to the incurrence of non-recurring listing expenses of approximately HK\$12,987,000 during the year ended 31 December 2018 and the increase in staff costs and administrative expenses as aforementioned. If the non-recurring listing expenses are excluded, the Group would have recorded a profit for the year ended 31 December 2018 of approximately HK\$8,083,000 as compared to approximately HK\$19,911,000 for the year ended 31 December 2017, representing a decrease of approximately HK\$11,828,000 or 59.4%.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

The Group financed its operations primarily with the cash generated from its operations and bank borrowing. During the year ended 31 December 2018, we received net proceeds from the Share Offer of approximately HK\$54,900,000. As at 31 December 2018, the Group had bank balances and cash of approximately HK\$27,800,000 (2017: approximately HK\$20,679,000). Most of the bank balances and cash were placed with banks in Hong Kong. 98.7% (2017: 98.2%) of the Group's bank balances and cash was denominated in Hong Kong dollars, whereas 1.3% (2017: 1.8%) was denominated in MOP.

As at 31 December 2018, the Group had bank borrowing of HK\$7,500,000 (2017: HK\$10,000,000) which was denominated in Hong Kong dollars and will be repayable in full in December 2019. The bank borrowing was secured by a pledged bank deposit of HK\$5,000,000 and the effective annual interest rate on the borrowing is 4.91% (2017: 3.79%). The gearing ratio as at 31 December 2018 was 19.0% (2017: 41.8%). The gearing ratio was calculated by dividing the bank borrowing by total equity multiplied by 100%. With available bank balances and cash, the Directors are of the view that the Group has sufficient liquidity to satisfy the funding requirements.

## **FOREIGN EXCHANGE EXPOSURE**

Most of the revenue-generating operations of the Group were denominated in Hong Kong dollars. There was no significant exposure to foreign exchange rate fluctuations. As such, no hedging or other arrangements was made by the Group during the years ended 31 December 2018 and 2017.

## **SHARE STRUCTURE**

The issued shares of the Company were initially listed on GEM of the Stock Exchange on 12 October 2018. There has been no change in the Company's capital structure since the date of the Listing and up to the date of this announcement. The capital of the Company comprises only ordinary shares.

As at 31 December 2018, the total number of issued ordinary shares of the Company was 800,000,000 of HK\$0.01 each.

## **SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at 31 December 2018, the Group did not have any significant investments. Save as those disclosed in the prospectus of the Company dated 28 September 2018 (the "**Prospectus**"), there was no plan for any material investments or other additions of capital assets at the date of this announcement.

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018 save for the Reorganisation, details of which are set out in note 2 of this announcement.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2018, bank deposit of HK\$5,000,000 was pledged to secure the bank borrowing of the Group. Saved as disclosed, the Group did not have any charges on its assets.

## **CONTINGENT LIABILITIES**

As at 31 December 2018, the Group did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2018, the Group had a total of 45 internal staff (2017: 34). The staff costs, including Directors' emoluments, of the Group amounted to approximately HK\$47,714,000 for the year ended 31 December 2018 (2017: approximately HK\$37,871,000).

The Group's employees are remunerated in accordance with their performance, qualification, work experience and prevailing industry practices. In addition to a basic salary, commission-based bonuses are offered to employees whose sales figures exceed a certain level to attract and retain eligible employees to contribute to the Group. Share options and discretionary bonus are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group. Employees are provided with relevant in-house and/or external training from time to time.

## COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

| <b>Business strategies as stated in the Prospectus</b>  | <b>Implementation plans as stated in the Prospectus</b>   | <b>Actual business progress up to 31 December 2018</b>   |
|---|---|--|
| Expansion of our recruitment services and secondment and payroll services in Hong Kong            | Expand our business team in Hong Kong by recruiting additional experienced consultants specialised in diversified functional specialisation | We have completed the expansion of our business team in Hong Kong accordingly                  |
|   | Expand our office space by leasing and renovating new office premises in Hong Kong  | We have completed the expansion and renovation of our office premises in Hong Kong accordingly |
| Establishment of our presence in the PRC recruitment services market                              | Establish our business team specialised in recruitment services in the PRC by recruiting additional consultants                             | We have completed the expansion of our business team in the PRC accordingly                    |
|   | Lease a new office space in the PRC   | We have completed the leasing of a new office space in the PRC accordingly                     |
|   | Promote our brand awareness in the PRC through networks of our consultants  | We have carried out the promotion accordingly  |
| Development of marketing capability and conducting more marketing activities to promote our brand | Recruit experienced marketing personnel   | We have carried out the recruitment accordingly  |
|   | Engage in advertising activities to promote our brand   | We have carried out the advertising activities accordingly                                     |
|   | Participate in events and roadshows to connect with potential candidates and clients  | We have participated accordingly   |

| <b>Business strategies as stated in the Prospectus</b> | <b>Implementation plans as stated in the Prospectus</b>  | <b>Actual business progress up to 31 December 2018</b>                                    |
|--|--|---|
| Enhancement of our IT system                           | Develop additional workflows for our different services segments                                   | We have started such development and it is yet to complete as at 31 December 2018         |
|  | Upgrade the website of our Group   | We have initiated the project and it is yet to complete as at 31 December 2018            |
|  | Procure a new business intelligence system to facilitate decision-making process of our management | We have started such procurement process and it is yet to complete as at 31 December 2018 |
|  | Automate our work process to support our business operation  | We have started such automation process and it is yet to complete as at 31 December 2018  |

## **USE OF PROCEEDS FROM THE SHARE OFFER**

The net proceeds from the Share Offer (as defined in the Prospectus) were approximately HK\$31.0 million, which was based on the placing price of HK\$0.3 per share and after deducting the underwriting commission and other related expenses. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the Prospectus. The Group had utilised approximately HK\$5,348,000 of the net proceeds as at 31 December 2018. The unutilised portion of approximately HK\$25,637,000 is deposited in a licensed bank in Hong Kong.

During the period from the date of Listing till 31 December 2018, the net proceeds had been utilised as follows:

|   | <b>Net<br/>proceeds</b><br><i>HK\$'000</i> | <b>Utilised<br/>amount</b><br><i>HK\$'000</i> | <b>Unutilised<br/>amount</b><br><i>HK\$'000</i> |
|---|--|---|---|
| Expansion of our recruitment services and secondment and payroll services in Hong Kong            | 14,222                                     | 3,991   | 10,231  |
| Establishment of our presence in the PRC recruitment services market                              | 7,994                                      | 599   | 7,395   |
| Development of marketing capability and conducting more marketing activities to promote our brand | 3,408                                      | 282   | 3,126   |
| Enhancement of our IT system  | 3,068                                      | 176   | 2,892   |
| General working capital   | 2,293                                      | 300   | 1,993   |
|   | <u>30,985</u>                              | <u>5,348</u>                                  | <u>25,637</u>                                   |

## **EVENTS AFTER THE REPORTING PERIOD**

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2018 and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Since the date of the Listing to 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the year, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

## **COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct concerning securities transactions by the Directors since the date of Listing and up to 31 December 2018.

## **INTEREST OF THE COMPLIANCE ADVISER**

As notified by the Company's compliance adviser, HeungKong Capital Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement dated 19 September 2018 entered into between the Company and HeungKong Capital Limited, neither the Compliance Adviser nor any of its directors, employees or close associates had any interest in the Group as at 31 December 2018, which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme on 13 September 2018 (the "**Share Option Scheme**").

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and there was no share option outstanding as at 31 December 2018.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The first annual general meeting (“AGM”) of the Company will be held on Friday, 10 May 2019. The transfer books and register of members of the Company will be closed from Tuesday, 7 May 2019 to Friday, 10 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22 Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 May 2019.

## **CORPORATE GOVERNANCE PRACTICES**

During the period from the date of the Listing to 31 December 2018, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules.

## **SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group’s auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte Touche Tohmatsu on this preliminary announcement.

## **AUDIT COMMITTEE**

The audit committee of the Board (the “**Audit Committee**”) was established on 13 September 2018 in compliance with Rule 5.28 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. It currently comprises three independent non-executive Directors, namely Mr. Tong Kam Piu, Mr. Poon Kai Kin and Mr. Wang Ho Pang. Mr. Poon Kai Kin is the chairman of the Audit Committee.

The primary duties of the Audit Committee include making recommendations to the Board on the appointment and approval of external auditors, reviewing and supervising the financial statements and material advice in respect of financial reporting, overseeing internal control procedures and corporate governance of the Company, supervising internal control and risk management systems of the Company and monitoring continuing connected transactions (if any).

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2018 and this annual results announcement.

By Order of the Board  
**KOS International Holdings Limited**  
**Chan Ka Kin Kevin**  
*Chairman*

Hong Kong, 22 March 2019

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chan Ka Kin Kevin (Chairman), Mr. Chan Ka On Eddie and Mr. Chan Ka Shing Jackson; and three independent non-executive Directors, namely, Mr. Tong Kam Piu, Mr. Poon Kai Kin and Mr. Wang Ho Pang.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Listed Company Information” page for at least 7 days from the date of its publication and on the Company’s website at [www.kos-intl.com](http://www.kos-intl.com).*